

AR08

## ANNUAL REPORT 1974



COLDSTREAM MINES LIMITED

#### ANNUAL MEETING

The Annual Meeting of  
Coldstream Mines Limited  
will be held on Tuesday, July 29,  
1975 at 2:00 p.m. in Committee Room No. 4,  
11th floor, 11 Adelaide Street West,  
Toronto, Ontario

## Directors' Report to Shareholders

Your Directors present your Company's Annual Report for the year 1974. Consolidated loss for the year 1974 before extraordinary losses was \$3,595,000 or \$1.47 per share while the loss after extraordinary items was \$6,520,000 or \$2.66 per share. The restated net income before extraordinary items in 1973 was \$2,371,000 while income after extraordinary items was \$1,823,000 or \$0.74 per share. The 1973 earnings were restated from \$2,277,000 or \$0.86 per share to reflect additional Irish income taxes provided by International Mogul Mines Limited whose results are included in the accounts on an equity basis.

66%

The Company's three main investments continue to be International Mogul Mines Limited, GCL Graphic Communications Limited and City Associated Enterprises Limited. Enclosed are Annual Reports for International Mogul Mines Limited and GCL Graphic Communications Limited.

International Mogul, due to a combination of events, had an extremely disappointing year and their prime objective for 1975 is to consolidate, reduce expenditures and construct a base for solid future growth. City Associated Enterprises Limited had a profitable year in 1974 and paid to your Company an initial dividend of \$56,500. GCL Graphic Communications suffered substantial losses in the facsimile area but generated significant profit growth in data entry operations in the United Kingdom and Europe.

Interest

Efforts are being made to sell certain assets held by subsidiary companies to reduce the Company's indebtedness. While 1974 was a difficult year for your Company, we are confident of the future.

On behalf of the Board of Directors,

negotiated  
by Johnson

D. W. KNIGHT,

Chairman of the Board.

Toronto, Ontario,  
July 7, 1975.

Cord -  $\frac{2}{3}$  GCL  
Interscan GCL wholly



**COLDSTREAM MINES LIMITED**

(Incorporated under the laws of Ontario)  
and subsidiary companies

**Consolidated Balance Sheet**

December 31, 1974

(with comparative figures at December 31, 1973)

<b>Assets</b>	<b>1974</b>	<b>1973</b>
<b>CURRENT ASSETS</b>		
Cash and short-term deposits .....	\$ 1,032,000	\$ 1,063,000
Accounts receivable .....	4,396,000	5,381,000
Inventories, at lower of cost, replacement cost and net realizable value ..	3,316,000	2,538,000
	<u>8,744,000</u>	<u>8,982,000</u>
DUE FROM DIRECTORS AND SHAREHOLDERS (note 3) .....	135,000	135,000
INVESTMENTS (note 4) .....	8,091,000	14,208,000
FIXED ASSETS (note 5) .....	2,763,000	1,719,000
MINING PROPERTIES AND DEFERRED EXPLORATION, at cost .....	783,000	779,000
OTHER ASSETS, at cost .....	953,000	231,000
	<u>\$21,469,000</u>	<u>\$26,054,000</u>

Approved by the Board:

"D. W. KNIGHT", Director

"R. D. BELL", Director

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**Liabilities****1974****1973**

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**CURRENT LIABILITIES**

Bank advances, secured (note 6) .....	\$ 6,784,000	\$ 7,479,000
Accounts payable and accrued liabilities .....	3,459,000	3,713,000
Loans from associated companies .....	3,604,000	
Current portion of long-term debt .....	299,000	222,000
	<u>14,146,000</u>	<u>11,414,000</u>

LONG-TERM DEBT (note 7) ..... 526,000 1,752,000

DEFERRED INCOME TAXES ..... 73,000

INTERESTS OF MINORITY SHAREHOLDERS (note 8) ..... 1,794,000 1,378,000

**Shareholders' Equity****CAPITAL STOCK**

Authorized — 5,000,000 shares without par value

Issued — 2,923,295 shares ..... 15,094,000 15,094,000

DEFICIT ..... 7,256,000 736,000

7,838,000 14,358,000

**DEDUCT:**

International Mogul Mines Limited holding of 490,649 shares (1973 — 460,599) of Coldstream Mines Limited at cost to International Mogul Mines Limited .....

2,908,000 2,848,000

4,930,000 11,510,000

\$21,469,000 \$26,054,000

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**Auditors' Report**

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To the Shareholders of  
Coldstream Mines Limited

We have examined the consolidated balance sheet of Coldstream Mines Limited and subsidiary companies as at December 31, 1974 and the consolidated statements of income, retained earnings (deficit) and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1974 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles which, after giving retroactive effect to the change in accounting for goodwill outlined in note 10, have been applied on a basis consistent with that of the preceding year.

Toronto, Canada  
May 31, 1975  
(June 25, 1975 as to note 11)

"THORNE RIDDELL & CO."  
Chartered Accountants

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**COLDSTREAM MINES LIMITED**

and subsidiary companies

**Consolidated Statement of Income**

Year ended December 31, 1974

(with comparative figures for 1973)

	1974	1973
REVENUE		
Sales, rental, maintenance and other income	\$15,383,000	\$10,563,000
EXPENSES		
Cost of sales, supplies, maintenance, selling, general and administrative expenses	14,657,000	9,875,000
Depreciation and amortization	604,000	208,000
Interest on long-term debt and loans from associated companies	737,000	91,000
Deferred exploration on oil and gas property abandoned		54,000
	15,998,000	10,228,000
	(615,000)	335,000
Equity in income (loss) before extraordinary items of International Mogul Mines Limited (note 4)	(2,672,000)	2,435,000
	(3,287,000)	2,770,000
Income taxes	419,000	266,000
Income (loss) before interests of minority shareholders and extraordinary items	(3,706,000)	2,504,000
Interests of minority shareholders in net income (losses) of subsidiaries	(111,000)	133,000
INCOME (LOSS) BEFORE EXTRAORDINARY ITEMS	(3,595,000)	2,371,000
Extraordinary items (note 9)	(2,925,000)	(548,000)
NET INCOME (LOSS) FOR THE YEAR	\$ (6,520,000)	\$ 1,823,000
EARNINGS (LOSS) PER SHARE		Restated Note 4
Before extraordinary items	\$ (1.47)	\$ 0.96
Net income (loss) for the year	\$ (2.66)	\$ 0.74

**Consolidated Statement of Retained Earnings (Deficit)**

Year ended December 31, 1974

(with comparative figures for 1973)

	1974	1973
Retained earnings (deficit) at beginning of year		
As previously reported	\$ 4,541,000	\$ 2,458,000
Goodwill written off (note 10)	4,823,000	4,823,000
Reduction of equity in 1973 net income of International Mogul Mines Limited (note 4)	454,000	
As restated	(736,000)	(2,365,000)
Net income (loss) for the year	(6,520,000)	1,823,000
	(7,256,000)	(542,000)
Equity in preference share issue expense and prior years' income taxes adjustment of International Mogul Mines Limited (note 4)		194,000
Retained earnings (deficit) at end of year	\$ (7,256,000)	\$ (736,000)

**COLDSTREAM MINES LIMITED**

and subsidiary companies

**Consolidated Statement of Changes in Financial Position**

Year ended December 31, 1974

(with comparative figures for 1973)

	1974	1973
<b>SOURCES OF WORKING CAPITAL</b>		
From operations		
Income (loss) before interests of minority shareholders and extraordinary items	\$ (3,706,000)	\$ 2,504,000
Charges against income not involving working capital		
Equity in loss (income) before extraordinary items of International Mogul Mines Limited	2,672,000	(2,435,000)
Depreciation and amortization	604,000	208,000
Deferred income taxes	73,000	
Deferred exploration on oil and gas property abandoned		54,000
	(357,000)	331,000
Increase in long-term debt	683,000	724,000
Extraordinary income tax reductions	332,000	260,000
Proceeds on sale of investment	175,000	
Dividends received from International Mogul Mines Limited	124,000	249,000
Issue of shares of subsidiaries to minority shareholders	81,000	225,000
Share capital issued		2,792,000
Other		22,000
	1,038,000	4,603,000
<b>USES OF WORKING CAPITAL</b>		
Reclassification of loans from associated companies	1,585,000	
Fixed assets	1,570,000	421,000
Other assets	392,000	199,000
Reduction in long-term debt	324,000	31,000
Dividend paid by subsidiary to minority shareholder	73,000	40,000
Loss on wind-up of a subsidiary	61,000	
Other	3,000	6,000
Cost of additional investment in International Mogul Mines Limited		2,642,000
Cost of acquisition of Interscan Limited and its subsidiaries adjusted for working capital deficiency of \$871,000 at effective date of acquisition		901,000
Loans to directors and shareholders		135,000
Investment in other shares and advances		26,000
	4,008,000	4,401,000
Increase (decrease) in working capital position	(2,970,000)	202,000
Working capital deficiency at beginning of year (note 3)	2,432,000	2,634,000
<b>WORKING CAPITAL DEFICIENCY AT END OF YEAR</b>	<b>\$ 5,402,000</b>	<b>\$ 2,432,000</b>



## **COLDSTREAM MINES LIMITED**

and subsidiary companies

### **Notes to Consolidated Financial Statements**

Year ended December 31, 1974

#### **1. Statement of Significant Accounting Policies**

##### *(a) Translation of Foreign Currencies*

Current assets, current liabilities and long-term debt have been translated at the prevailing rates of exchange at the balance sheet date. Fixed and other assets and related depreciation and amortization have been translated at the average rates of exchange for the years in which they were acquired. Income and expense items, excluding depreciation and amortization, have been translated at the average rates of exchange for the year.

Gains or losses on currency revaluations and translations are reflected in the Consolidated Statement of Income in the year in which they arise.

##### *(b) Depreciation*

Depreciation of graphic communications and office equipment is provided at 20% per annum on the reducing balance basis with depreciation on the graphic communications equipment commencing from the month the equipment is placed in service. Leasehold improvements are depreciated over the period of the leases. Other fixed assets are depreciated on a straight line basis at the following annual rates:

Buildings .....	2.5%
Leasehold improvements .....	10% to 20%
Equipment .....	6.7% to 33.3%

##### *(c) Mining Properties and Deferred Exploration*

The Company holds various non-producing interests in mining properties. These interests are carried at acquisition cost together with the cost of direct exploration and development work thereon. It is the Company's practice to defer the costs of these interests and carry them as an asset to be amortized against future production. If the Company determines that it has no further interest in the property, the related costs are written off to income.

##### *(d) Earnings (Loss) per Share*

Earnings (loss) per share are calculated using the weighted monthly average number of shares outstanding net of shares of the Company held by International Mogul Mines Limited.

#### **2. Basis of Consolidation**

##### *(a) Subsidiaries Consolidated*

The consolidated statements include the accounts of all of the Company's subsidiaries, the principal ones being:

Stream Bahamas Limited .....	100% owned
Interscan Limited .....	100% owned

##### *(b) Stream Bahamas Limited*

Stream Bahamas owns 67% of City Associated Enterprises Limited which in turn own 75% of Spotless Cleaners Limited.

##### *(c) Interscan Limited*

During the year the Company increased its ownership of Interscan Limited from 72.7% to 100% by acquiring all of the remaining shares of Interscan Limited held by minority shareholders. As consideration for the acquisition of these additional shares of Interscan Limited, the Company issued to these shareholders 237,332 shares of GCL Graphic Communications Limited (GCL), thus reducing its ownership of GCL from 81.3% to 66.2%. In addition the Company sold its 49% interest in Interscan-Dex Limited to GCL for \$12,250.



GCL now owns 100% of the following subsidiaries:

Interscan Group  
Intercontinental Data Systems Limited  
Interscan Data Systems (U.K.) Limited  
Interscan GmbH  
Graphic Communications U.K. Holdings Limited  
Interscan-Dex Limited

During 1974 Interscan Data Systems, A.G., ZUG was wound up.

Under an agreement signed June 29, 1973 with GCL and Interscan Limited whereby GCL acquired its interest in the Interscan Group in exchange for shares, GCL guaranteed a \$1,500,000 7% debt of the Interscan Group to Interscan Limited of which \$1,000,000 may be converted into shares of GCL at \$3 per share.

### 3. Due from Directors and Shareholders

In 1973 two directors and senior officers purchased 50,000 shares of the Company for \$150,000. The balance of \$135,000 due at December 31, 1974 is payable in annual instalments of \$15,000 for the years 1976 to 1978 with the remaining \$90,000 due in 1979.

The balance due at December 31, 1973 has been reclassified from accounts receivable. The effect of this reclassification is to increase the working capital deficiency at that date by \$135,000.

### 4. Investments

Investments are as follows:

	<u>1974</u>	<u>1973</u>
International Mogul Mines Limited .....	\$ 8,022,000	\$13,983,000
Other shares and advances, at lower of cost and net realizable value .....	69,000	225,000
	<u>\$ 8,091,000</u>	<u>\$14,208,000</u>

International Mogul Mines Limited — effectively controlled company.

The investment in International Mogul represents a 40.3% interest (1973, 38.2%) in the issued common shares of that company. The increase in equity interest arises from International Mogul purchasing its own common shares in the open market. This investment has a carrying value on an equity accounting basis of \$8,022,000 (1973, \$13,983,000) and had a quoted market value of \$2,141,000 and \$8,711,000 as at December 31, 1974 and 1973 respectively.

The Company accounts for this investment on an equity basis after eliminating reciprocal shareholdings, and the Company's share of the loss of International Mogul for 1974 amounting to \$5,777,000 (1973, income of \$1,534,000) has been included on the Consolidated Statement of Income and a like amount has been deducted from (1973 added to) the carrying value of the investment. Dividends received during the year of \$124,000 (1973, \$249,000) have been deducted from the carrying value of the investment.

The carrying value of the investment exceeds the underlying equity in the net book value of that company by approximately \$1,200,000 at December 31, 1974 (\$3,000,000 December 31, 1973). The Company is continuing to carry this excess in the value of the investment as management is of the opinion that the value of International Mogul supports this carrying value.

International Mogul restated its 1973 results to take into consideration income taxes payable by Mogul of Ireland Limited. The effect of this change is to reduce the Company's equity in the net income of International Mogul in 1973 by \$454,000 and 1973 figures have been restated accordingly.

### 5. Fixed Assets

	<u>1974</u>	<u>1973</u>
In the Bahama Islands, at cost		
Buildings, equipment and leasehold improvements .....	\$ 649,000	\$ 625,000
In Canada, at cost		
Graphic communications equipment, office equipment and leasehold improvements .....	2,055,000	1,219,000
In Europe, at cost		
Graphic communications equipment, computer input equipment, automotive equipment and office equipment .....	1,322,000	612,000
	<u>4,026,000</u>	<u>2,456,000</u>
Less accumulated depreciation .....	1,263,000	737,000
	<u>\$2,763,000</u>	<u>\$1,719,000</u>

## 6. Bank Advances

The bank advances are secured by a pledge of substantially all of the accounts receivable, inventories, investments and fixed assets of the Company and most of its subsidiaries.

## 7. Long-Term Debt

Long-term debt consists of:

	<u>1974</u>	<u>1973</u>
Bank loan, secured, maturing in 1975 .....	\$ 130,000	\$ 290,000
7% notes payable, unsecured, maturing in 1975 .....	37,000	99,000
Long-term lease agreement, payable in monthly instalments including principal and interest of \$11,000, maturing in 1979 .....	658,000	
Loans from associated companies .....		1,585,000
	<u>825,000</u>	<u>1,974,000</u>
Less current portion included in current liabilities .....	299,000	222,000
	<u>\$ 526,000</u>	<u>\$ 1,752,000</u>

## 8. Interests of Minority Shareholders

	<u>1974</u>	<u>1973</u>
Minority interests are attributable to the minority shareholders of:		
City Associated Enterprises Limited .....	\$ 689,000	\$ 674,000
Spotless Cleaners Limited .....	62,000	72,000
GCL Graphic Communications Limited .....	1,043,000	632,000
	<u>\$ 1,794,000</u>	<u>\$ 1,378,000</u>

## 9. Extraordinary Items

	<u>1974</u>	<u>1973</u>
Equity in extraordinary losses of International Mogul Mines Limited	\$ (3,105,000)	\$ (707,000)
Write-down of investments in other shares to estimated net realizable value, less interests of minority shareholders of \$49,000 .....		(101,000)
Loss on wind-up of a subsidiary, less interests of minority shareholders of \$21,000 .....	(40,000)	
Income tax reduction arising from application of losses of prior years, less interests of minority shareholders of \$112,000	220,000	260,000
As shown on Consolidated Statement of Income .....	<u>\$ (2,925,000)</u>	<u>\$ (548,000)</u>

## 10. Change in Accounting Practice

Goodwill arising on the acquisition of subsidiaries prior to 1974 was carried on the balance sheet at cost. Effective January 1, 1974 the Company changed its policy of accounting for goodwill and has written off all goodwill existing at that time to retained earnings. This change has been made retroactive to the 1973 fiscal year and the 1973 statements have been restated accordingly.

Any goodwill arising from acquisitions in the future will be amortized against income.

## 11. Subsequent Event

As further security for advances from International Mogul Mines Limited, the Company issued a series of 30-day demand debentures dated June 25, 1975 for a total of \$4,443,000 with interest at two percentage points above International Mogul's bank rate. The debentures are secured by a floating charge on the property and assets of the Company and its subsidiaries subject to prior security in favour of the bank.



## Directors

R. D. Bell, C.A. *Toronto, Ontario*,  
Vice-President of International Mogul Mines Limited

✓ G. Carpenter, *Toronto, Ontario*,  
Business Executive, Evangeline Investments Limited

✓ C. T. Grant, Q.C., *Toronto, Ontario*,  
Partner, Law firm of Aird, Zimmerman & Berlis

D. W. Knight, *Toronto, Ontario*,  
Chairman of the Board of  
International Mogul Mines Limited

✓ F. C. Knight, B.Sc., *Toronto, Ontario*,  
Mining Engineer employed by  
International Mogul Mines Limited

✓ A. B. Lash, *Toronto, Ontario*,  
Manager of Computer Operations at  
Draper Dobie & Company Limited

✓ S. A. Perry, F.C.I.S., *Toronto, Ontario*  
Honourary Chairman of the Board of  
International Mogul Mines Limited

F. Gerald Townsend, F.C.A., *Mississauga, Ontario*,  
Director of International Mogul Mines Limited

## Officers

D. W. Knight, *Chairman of the Board*

F. Gerald Townsend, F.C.A., *President*

R. D. Bell, C.A., *Vice-President*

D. A. Humby, C.A., *Assistant Secretary*

## Auditors

Thorne Riddell & Co., *Toronto, Ontario*

## Counsel

Aird, Zimmerman & Berlis, *Toronto, Ontario*

## Transfer Agent and Registrar

Guaranty Trust Company of Canada, *Toronto, Ontario*

## Bankers

The Toronto-Dominion Bank, *Toronto, Ontario*

## Listing

The Toronto Stock Exchange

## Head Office

34 Adelaide Street West, *Toronto, Ontario M5H 1L8*

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